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## *The University of Dayton*

### *News Release*

June 11, 1991  
Contact: Jim Feuer

#### **SOFTWARE SPOTS BAD BANK LOANS, HELPS BANKS TURN COMPANIES' PROBLEMS AROUND**

DAYTON, Ohio -- Only about 2 percent of commercial loans go bad. But banks are failing, the Federal Deposit Insurance Corporation (FDIC) may be nearing insolvency and taxpayers will have to foot the bill.

If only banks had been able to spot those loans in time to help companies solve the problems that caused the loans to go bad. If only banks had known about Robert Bidwell.

An adjunct professor of management at the University of Dayton and former corporate CEO who specialized in turning around failing companies, Bidwell has developed a software program that pinpoints when loans start to go bad and tells loan officers how they can help companies turn problems around before they get serious.

"Pumping more money into the FDIC is like buying an ornate headstone in a very expensive cemetery instead of having an annual physical exam," says Bidwell. "The emphasis on FDIC is misdirected taxpayer dollars--insurance for a failed bank. But why have a failed bank? Why not put some time and effort into making a bank not fail?"

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Bidwell's Early Loss Detection and Control (ELDAC) program takes a company's financial statement and measures it against statistical criteria on an ongoing basis. For example, ELDAC may tell a loan officer that a company's sales require attention.

"Well, everybody's sales drop," says Bidwell. "What are they going to do about it? Most people who own businesses don't know what to do about it. What ELDAC says to the loan officer is, 'Tell them to readjust their cash flow pro forma.' The average company will say, 'What's a cash flow pro forma?' ELDAC will show them a form and how to fill it out.

"'How about units? Are we still manufacturing the same number of units?' If they are, then somebody's cut their prices. If they're not, how come factory payroll isn't lower? Everybody says that's just common sense. But that system does not currently exist."

If the health of a bank is the sum total of the health of its loans, the banking system should be checking its hospitalization. Profits have declined to \$15.6 billion, and reserves for loan losses have climbed to \$77 billion, says Bidwell.

ELDAC would help banks minimally in deciding whether to grant loans. But once loans are granted, says Bidwell, ELDAC would aid banks in helping borrowers become profitable--rather than in giving them a hard time.